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Reviews - Writings in Accounting

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from the sale of export property plus 10% of the export promotion expenses incurred by the DISC, or

3. Taxable income based on sales prices determined under Sec. 482 as mentioned above.

The same intercompany allocation to the DISC is permitted whether the DISC acts as commission agent for the related supplier or takes title to the goods as principal. A DISC, or the supplier for which the DISC is commission agent, must sell to related foreign purchasers at arm's length.

Export promotion expenses include a DISC's ordinary and necessary expenses paid or incurred to obtain the qualified receipts. Such

expenses generally include salaries, advertising, market studies, warehousing, rentals, sales commissions, and other selling expenses. If shipped aboard U.S. flag vessels or U.S. owned and operated aircraft (unless required by law), one-half of the freight expenses may also be included.

This issue of the Tax Forum, the first of two dealing with the DISC, provides a general introduction to Code Sections 991-994 covering the taxation and requirements of the corporate entity, including definitions and special rules applicable to its operation. The July 1972 issue will discuss the treatment of distributions to the DISC's shareholders, allocation rules, and other sections of the Code and '71 Revenue Act affecting DISCs.

REVIEWS

(Continued from page 19)

Similar objective treatment is given to memory-building, dictation, writing, the psychology of meetings, organizational problems, etc. The accountant who "just hates to write" will find recipes for writing, if not immortal prose, at least articles about professional matters that will be acceptable. "The average person thinks that the accomplished writer is able to put his thoughts down on paper promptly and at the first try. This is the *opposite* of the truth." A four-step procedure is advised: 1) Prepare 2) Organize 3) Write 4) Rewrite. Development of each point stresses thought processes rather than punching out words; normally, the orderly grouping of thoughts will in itself suggest the words to follow.

A chapter entitled "Neutralizing Psychic Drags on Performance" contains classic psychological insights, and their translation from theory makes for sure footing through the common quagmires of business. There are several refreshing iconoclasm in the book. "The turned-on executive is actually a 'Brainstormer Anonymous'." In the opinion of the authors, committees tend to bolt all frames-of-reference into a prison around the creative mind. Creativity is a solitary ardor.

The Turned-On Executive is one of many "how to" books. Its effectiveness belies its simplistic approach. A twice-told truism can often have more than twice the impact of a first telling.

Constance T. Barcelona
The Camargo Club

"A Practical Guide to Preparing a Fiduciary Income Tax Return," P. Michael Davis and Frederick W. Whiteside; Estate Tax Publishing Company, 1971, 104 pages, \$6.95.

From the first page of the introduction, the authors have presented a concise, step-by-step discussion regarding the requirements of fiduciaries in reporting for income and disbursements of estates and trusts. The changes brought about by the enactment of the 1969 Tax Reform Act have complicated the accounting and record keeping of fiduciaries to a greater extent than prior law. This book will be helpful to the fiduciary and to his tax consultant, who usually has very few fiduciary returns to file and would therefore not be as familiar with a 1041 as with a 1040.

There is a general explanation of estates and the various types of trusts and distributions of income to beneficiaries, the records and required information to be retained. Form 1041 is explained in detail including the Schedule J for reporting throwback income. Examples and illustrations of reporting during the transition period for trusts in existence at December 31, 1969 are included and prove most informative as a quick reference.

Referral is made to the sections of the Internal Revenue Code pertaining to estates and trusts; however, the Guide can be utilized without reference to the Code or other technical publications as the citations are explained briefly. This reviewer believes that the Guide will be a most helpful addition to a tax library.

Henrietta Patterson
Cook Industries, Inc.

REVIEWS

Writings in Accounting

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"Eurodollar and the World Economy," George F. Ray: **Intereconomics**, No. 7, July 1970.

This reviewer was attracted to Mr. Ray's article on the Eurodollar because it seems to be an unusually good explanation of what the Eurodollar is and what its place is in the world economy. The Eurodollar and Eurobonds have grown from small beginnings into one of the most important markets in the world for short-term credits and, more recently, for long-term financing. Although President Nixon's economic program as announced on August 15, 1971 has brought changes in international money markets, Eurodollars are still important.

The Encyclopaedia Britannica in 1966 defined the word "Eurodollar" as "a U.S. dollar held (as by a bank) outside the United States and especially in Europe." Mr. Ray points out that the term "Eurodollar market" is something of a misnomer, since the market is neither limited to Europe nor to the dollar, but both Europe and the dollar are by far the most significant in the transactions in this international money market.

On the supply side, the huge and annually recurring balance of payments deficits of the United States filled European central banks with dollars. The central banks sold these to the commercial banks of the country who again re-sold them to practically anyone who wanted to buy these Europeanized dollars which earned higher interest rates in Europe than in the United States.

The Eurodollar is not legal tender and no Eurodollar banknotes are being printed. Actually the Eurodollar is in fact not much more than an accountancy item; on the demand side practically every borrower can, in principle, obtain financing ultimately originating in Eurodollars. For example, a British city corporation borrows sterling from a bank or finance house; the latter bought Eurodollar deposits, switched them into sterling, and lent the sterling to the borrower.

In the last ten to fifteen years the world economy, and especially world trade, has been facing an international shortage of liquidity. Euro-currencies, of which the dollar is the principle one, have helped to ease this short-

age. There is a certain amount of risk stemming from the free flow of the huge Eurodollar funds. When the United States government tightened the home money supply, American banks raised funds in the Eurodollar market at such a rate that the outflow of dollars from Europe took alarming proportions and the United States government was forced to act under pressure from the European central banks. Another risk is that the vast transactions in Eurodollars are almost entirely without collateral; they are unsecured loans exclusively based on trust. There is also a danger in the free movement of huge amounts of funds without any central control. The intricate market mechanism is the main controlling organism.

Mr. Ray concludes by saying that so far major troubles have not arisen. He quotes Dr. F. E. Aschinger of the Swiss Bank Corporation who said, "The Eurodollar market fulfills such important functions in the world economy that it would be a mistake to curtail its working by restrictive measures just because it contains some dangers which become acute in international monetary crises. We have got to live with the Eurodollar market, and must therefore make every effort to pursue sound economic and monetary policies which will minimize its dangers and maximize its positive effects."

Mary E. Burnet, CPA
Rochester Institute of Technology

"*Contemporary Issues in Cost Accounting*," Hector R. Anton and Peter A. Firmin, editors; Houghton Mifflin Company, Boston, 1972, 520 pages, \$6.95.

This second edition, with many new articles added, illustrates that cost and managerial accounting continue to be in transition.

The additions indicate that within the last few years there has been an acceleration of three major trends: (1) mathematical analysis and its use in management problems, (2) the application of behavioral science to cost and managerial accounting, and (3) the extension of cost analysis techniques to governmental and not-for-profit organizations.

In the section of the book dealing with forecasting and budgeting, there are articles concerned with pricing to maximize the return on investment, the behavioral implications of budgeting, and the critical path method. The section discussing capital budgeting includes articles about risk analysis, new views on the payback period, and the concept of the P/V graph.

There are also readings on the practical application of cost-volume profit analysis and breakeven budgeting. New views on standard cost variance analysis and flexible budgets are given. The discussion about the effect of direct costing on profit determination as well as the article about the effect of inventory costing methods on full and direct costing enable the reader to obtain a better perspective of this costing method. Divisional income measurement theory and transfer pricing based on opportunity cost also enable the reader to better evaluate decentralized performance.

The book offers articles dealing with basic concepts, decision models, behavioral implications, empirical approaches, and planned programming budgeting. These readings enable the reader to obtain an insight into practical as well as theoretical problems.

Dr. L. Gayle Rayburn, CPA
Memphis State University

"Getting It All Together the Cybernetic Way," John T. Hall and Roger A. Dixon, **Management Review**, Volume 60, No. 7, July 1971.

"The cybernetic session—a technique for generating and gathering ideas quickly and effectively from people in moderate-to-large-sized groups—is a relatively painless and an easily organized way to approach participative management." This is a relatively new technique, first encountered by the authors in February 1967 at the first meeting of a planning committee formed by the MIT Club of Washington, D.C. to arrange a seminar on systems management.

Using the cybernetic approach, the collection of data is approached in a self-organizing fashion. The user first divides his problem into several questions or areas of concern—the authors suggest four. Each question constitutes a station at which participants in the discussion will be grouped. Each participant in the session is assigned an itinerary. The itinerary per-

mits each participant to interact with other participants in eight different groupings. Half of the people at each station move to a new station every eight to fifteen minutes. The remaining half maintain the continuity of the discussion and the new members bring fresh ideas. The moving half does not move as a body, but disperses.

This technique has been applied in a variety of situations ranging from the Bureau of Standards to high school students. The results range from a high degree of commitment to the recommended actions (in the situation with the Bureau of Standards) to comments that this was the first opportunity to talk about such things in a positive way (from a high school student).

Mr. Hall and Dixon conclude that the advantages derived from a cybernetic session vary according to the kind of group involved and the connection of the session to overall strategy.

Dr. Patricia L. Duckworth, CPA
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"The Turned-on Executive", Auren Uris and Marjorie Noppel; McGraw-Hill Book Company, New York, 1970, 236 pages, \$7.95 (cloth-cover).

An "invisible revolution", according to the authors, pressures the executive to upgrade his own management skills if he is to keep up with the visible technological revolution. Should he fail to adjust to the accelerating pace, he must inevitably bow completely out of managerial ranks or move to a marginal niche.

The book presents algorithmic, recipe-step programs for sharpening personal skills in communication, people-handling, information-organizing, decision-making, and the management of time. It is practical and succinct. Extracted from the chapter on "Time-Squeezing Practices": (Point 5) Get More From Your Reading Hour: a) Case a book or article before reading it in its entirety; with letters, open the "sandwich" and read the meat at the middle. b) Organize what you've read; at the end, reflect, recall and identify salient features and arguments. "The reason for reading is to recall a useful idea later, when you need it." c) Index articles for reference rather than reading them. d) Try dropping all publications for one month; place back on your schedule only the ones you really miss.

(Continued on page 16)